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C O N F I D E N T I A L SECTION 01 OF 02 CONAKRY 000559

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SENSITIVE

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TAGS: [ECON](#) [EPET](#) [EINV](#) [PGOV](#) [EMIN](#) [ECIN](#) [PREL](#) [GV](#)
SUBJECT: HYPERDYNAMICS DELEGATION ELBOWED OUT BY CHINESE

REF: A. CONAKRY 00436
[1](#)B. CONAKRY 00470

Classified By: ECONOFF BRIANA WARNER FOR REASONS 1.4 (B) AND (D)

[1](#)1. (C) Summary: According to a visiting delegation from American oil-interest Hyperdynamics (HDY), the GOG is working with the Chinese Embassy to award HDY's 31,000 sq. mile oil exploration concession to Chinese investors. In an effort to save their concession, the one-asset firm sent their newly appointed CEO and a former Assistant Secretary of State for African Affairs (and career Foreign Service Officer) to advocate on their behalf. According to the delegation, HDY's new management is willing to relinquish a large portion of their concession to counter Chinese competition. Meetings with CNDD officials however, did not yield positive prospects for the company. END SUMMARY.

NEW MANAGEMENT, SAME SITUATION

[1](#)2. (C) Newly appointed HDY CEO Ray Leonard and former Assistant Secretary of State for African Affairs Herman Cohen, also an HDY shareholder, visited Guinea from September 6-10 to convince the CNDD to respect their 31,000 sq. mile contract. Arguing that the company's concession is unrealistically large, the CNDD has waged a campaign to push HDY out of the country since they took power in December 2008 (reftel). Leonard, an oil-industry veteran of more than twenty-five years, told A/DCM and EconOff that he intended to fix the mistakes of his predecessor and regain GOG favor.

[1](#)3. (C) According to Leonard, his predecessor mismanaged the company and negotiated a contract that was "well beyond the industry norm" in the favor of HDY. Leonard feels that the GOG is justified in wanting to address the unfair contract. Leonard said that they hoped to work out an amicable deal with the GOG, noting that "it is just not realistic to keep all of the offshore concession."

[1](#)4. (C) Cohen and Leonard apparently held meetings with CNDD President Moussa Dadis Camara, Secretary of Defense Sekouba Kountate, Secretary General of the Presidency Moussa Keita, and Minister of Mines and Energy Mahmoud Thiam to discuss a timeline to relinquish parts of the concession. The delegation was apparently warmly received by Dadis and other CNDD members (septel). Reportedly, Minister Thiam seemed initially impressed by HDY's new strategy, saying that he was relieved to hear about the change in plans as he was "about to make war on Hyperdynamics."

15. (C) In the meeting with Moussa Keita, Cohen and Leonard expressed HDY's willingness to give up parts of their concession, but only under the condition that HDY receive a new valid contract. Keita apparently agreed and HDY began working on a draft outlining an official timeline for relinquishment.

THE CHINESE FACTOR

16. (C) While drafting the letter on the afternoon of September 8, HDY began to hear rumors that an unknown Chinese company had made a new proposal to Minister Thiam directly after Leonard and Cohen spoke to Keita. When HDY representatives went to the Ministry of Mines to present their case, as scheduled, they were told to return at 10:30 the next day for a meeting with Minister Thiam. Leonard believes that HDY negotiations were used as a means to "leverage the Chinese to up their ante and offer a better price for the offshore oil rights."

17. (C) On September 9, as Leonard and Cohen were waiting for their meeting with Minister Thiam, the Chinese Ambassador to Guinea entered the waiting room and was immediately ushered into the Minister's office. Leonard said that they were almost literally "elbowed out of the way by the Chinese Ambassador." Two hours later, while the HDY representatives

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were still waiting, the Chinese Ambassador apparently came out of the office with a smile. Minister Thiam's secretary subsequently told Leonard and Cohen that the Minister could not meet with them that morning. Instead, they were to wait to meet with Thiam on September 10, when "everything would be resolved." Leonard, fearing that the Chinese Embassy was helping to negotiate a deal for China Sonangol, told EconOff and A/DCM that "something is happening that is violating sanctity of contract."

18. (C) Though Cohen returned to the U.S. as scheduled on the evening of September 9, Leonard extended his stay in order to "follow-through" with the Ministry of Mines. He asked what A/DCM and EconOff were planning to do about growing Chinese investment in Guinea's economy. He also asked if the Embassy could advocate on behalf of HDY. A/DCM explained that it is not USG policy to counteract Chinese investment. She also explained that the CNDD has demonstrated little respect for contractual agreements, and that any USG intervention would be unlikely to have positive results. Furthermore, A/DCM clarified the USG's policy position with respect to Guinea, emphasizing that commercial advocacy would be very difficult, if not impossible, due to the fact that the USG does not recognize the military junta as a legitimate government. Perhaps more significantly, Post continues to have concerns over FCPA issues involving HDY.

COMMENT

19. (C) While HDY's new management seems to have a great deal of institutional experience and a much more feasible business plan than they have in the past, they seem desperate to maintain a piece of their concession in the face of Chinese competition. Embassy sources have reported that HDY's contract has already been awarded to Chinese Sonangol in full. It seems that HDY still believes that the legality of their contract holds weight with the CNDD, despite the fact

that several larger international companies have had their contracts revoked and their operations halted.

¶10. (C) The fact that the Chinese Ambassador was supposedly advocating on behalf of Chinese Sonangol is not a surprise, but it is in stark contrast to several sources within the mining sector who have said that the Chinese Embassy is not working with the Chinese International Fund (CIF) or Sonangol in Guinea (reftel).
BROKENSHIRE